MEETING SUMMARY NOTES

Cost Savings and Efficiency Work Group

November 5, 2002
4:00 p.m., Room 113, County-City Building

MEMBERS: Present - Russ Bayer, Jennifer Brinkman, Mark Brohman, Carol Brown, Jon Carlson, Brian Carstens, Duane Eitel, Duane Hartman, Mark Hunzeker, Rick Krueger, Greg MacLean, Melinda Pearson, Roger Reynolds, Jerry Schleich, Greg Wood, Patte Newman, Allan Abbot (non-voting) Absent - None

OTHERS: Kent Morgan, Roger Figard, Steve Masters, Margaret Remmenga, Randy Hoskins, Nick McElvain, Roger Ohrlich, Virendra Singh, Marvin Krout, Randy Wilson

AGENDA ITEMS DISCUSSION:

1. Welcome - Russ Bayer, Work Group and Committee Tri-Chair

Russ Bayer brought the meeting to order and asked if there were any changes to the agenda. None were suggested.

2. Meeting Summary Notes - October 29, 2002

Russ Bayer asked if there were any changes to the "Meeting Summary Notes" for the Work Group's October 29, 2002, meeting. Rick Krueger indicated that he wished the record to show that on page 5 of the notes, he felt the Comprehensive Plan Committe had reached a consensus on the use of the 3 lane cross section for streets in the "built environment," such as 40th, 56th, etc. The notes had indicated that Rick was referring to the use of the 3 lane cross section on the "fringe areas of the city." Kent Morgan indicated that this correction will be made in the Summary Notes. No other corrections or updates were noted by the Work Group members.

3. Public Comment Period

Russ Bayer asked if there were members of the public present who would like to address the Work Group at this time. There were none.

4. Infrastructure Financing Gap – PW&U

Allan Abbott began the discussion by referencing a map comparing Lincoln's city limits in 1980, 1985, 1990, 1995, 2000, and currently with the City's approved year 2025 Future Growth boundary. Mr. Abbott noted that between 1980 and 2000, the City added approximately 20 square miles to its corporate limits. Between today and the year 2025, the Comprehensive Plan proposes to add 40 square miles – in short, the overall size of the city is projected to accelerate over the planning period, which will only add to the funding gap in infrastructure if the matter is not effectively addressed.

Roger Figard (PW&U) then began with a PowerPoint presentation on the street funding and capital improvements. Mr. Figard began his presentation by reviewing a typical year's worth of revenues and expenditures for the City of Lincoln. On the revenue side, Lincoln receives an average of $30 million in revenues to maintain and build roads. The Fuel Tax provides the largest single source of revenue at around $15 million per year. This is followed by the Wheel Tax at $8 million per year; City Urban Federal Aid at $4 million per year; and all others at about $3 million per year.

On the expenditure side of the ledger, Mr. Figard indicated that about $15 million goes directly to capital projects. About $7 million per year goes to "O&M" which includes snow removal and pothole repairs. About $6 million per year is spent on residential and arterial rehabilitation (i.e., reconstruction of streets), and the remaining $2 million goes to other miscellaneous activities. Mr. Figard noted that he considers the "O&M" and rehabilitation figures to be the "bare minimum."

Mr. Figard continued by showing projected revenues over the next 6 years. In all, the Wheel Tax would bring in about $48 million, the Gas Tax about $90 million, City funds from the Urban Federal Aid Program about $24 million, and about $18 million in other funds – for a 6 year total of about $180 million. An additional $45 million will be available for specific projects such as Antelope Valley, East 'O' Street, and the Harris Overpass. These funds would come primarily from State of Nebraska transportation funding programs and the Railroad Transportation Safety District. With the addition of funds and a cash balance of $24 million, the "Dollars available for the next 6 years" for "Street Improvements" is estimated at $249 million.

Mr. Figard next reviewed the projected 6 year expenditure commitments. Maintenance over this period equals $42 million, rehabilitation equals $36 million, and other current commitments equal $30; for a total of $108 million. Capital projects shown in the present CIP equal $255 million. Given available funding of $249 million, the resulting "fund gap" is $114 million. If the needed Beltway funds are then included in the gap calculation, the amount of additional funding necessary to serve the 6 year program rises to $228 million. Mr. Figard next displayed a map of the Comprehensive Plan growth areas and the year 2025 road plan. He indicated that the Plan calls for an additional 40 square miles of area to be brought into the City within this period. Duane Hartman asked why the figures for such revenues as fuel tax funds aren't shown to increase since the City is growing. Allan Abbott noted that neither the cost nor revenue sides

of the equation were inflated because of the difficulty of making such a projection. It was more prudent to use constant dollars than introduce an additional assumption.

Mr. Figard reviewed a map showing the street projects that could be build over the next 6 years given available funding; this would only allow us to reach the existing city limits with the needed improvements and that we continue to play "catch up" with our road building program. He then briefly displayed a couple of slides showing the detailed street improvements for the 6 year period and noted that he wouldn't go into any explanation on these but that the information is available to the Work Group should they want it. Patte Newman asked if the South Beltway was included in the calculations. Mr. Figard indicated that those costs were a part of these figures. Russ Bayer noted that some of the funds shown in the summary are Federal funds and thus are subject to forces beyond our control. If we don't get the funds for the beltway, for example, then certain local match monies could become available for other road projects. Allan Abbott said that the funds for the local match could become available if the beltways weren't built. However, that situation introduces a new dynamics into the street planning process requiring a total reassessment of the 25 year road plan.

Randy Hoskins handed out a set of pages showing typical city street cross sections and the detailed assumptions used to develop the associated cost estimates. He noted that the roadway cost assumptions were employed during the Infrastructure Finance Study to calculate the cost of a typically Lincoln arterial. Allan Abbott noted that the cross section illustration is for a future facility with 4 through lanes plus turning lanes within a 120' right-of-way. This is the standard cross section that the city is going to build to in newer fringe areas of the community. This cross section model will allow for future widening without significant disruption to traffic and adjacent land uses.

Mr. Hoskins walked the Work Group through a handout entitled, "Roadway Cost for a Sub-Urban Section." He noted such detailed cost elements as the lane width, turn lanes, and sidewalks and trail assumptions. Mr. Hoskins indicated that ADA (Americans with Disabilities Act) now requires that sidewalks be 5 feet wide to accommodate passing space for two wheelchairs. Duane Hartman asked if these were just city costs or did they include developer costs as well. Mr. Hoskins indicated that along the arterials, these were assumed to be city expenses. In a response to a Work Group member question, Mr. Hoskins noted that the cost assume a sidewalk on one side of the arterial and a trail on the other side. Duane Hartman asked how landscaping was included in the cost assumptions. Allan Abbott noted that anything over the minimum would be the property owners responsibility. The City will assume responsibility for some of the landscaping but the street trees remain the responsibility of the developer. Roger Figard noted that low maintenance grasses and other landscaping materials would be used. The estimated cost of such landscaping is $50,000 per mile.

Roger Reynolds asked what sort of landscaping standards were used in the median along So. 70th Street south of Pioneers. Roger Figard and Allan Abbott noted that this was a contractor's problem and that the area is being placed back into a low maintenance regime. Mr. Reynolds inquired as to the cost effectiveness of paved medians. Mr. Abbott said it is less a question of

cost than how they look. Duane Hartman noted that paved medians can be ugly with weeds growing out of breaks in the concrete. Mr. Abbott further noted that a paved median creates the image of "wall-to-wall concrete."

Randy Hoskins continued to review the "Roadway Cost" handout. He stated that an assumed standard for one pedestrian signals was one each mile, although this can vary. Traffic signals were assumed at every mile, half mile and quarter mile. Street lighting is also assumed. Greg MacLean asked about storm sewer inlets. Mr. Hoskins noted that they are included in the costs but may be initially capped off at the time of construction.

Jon Carlson asked about the method by which street lighting along arterials is paid for by the City and LES. PW&U staff explained that the cost of such lighting is initially paid for as part of the street improvement contract. LES pays back that account; and then the City uses other funds to then pay back LES. Duane Hartman asked why street lighting costs were included since the street accounts are eventually paid back. Mr. Figard said that since they are part of the initial cost of street construction, they were shown as part of the overall costs.

Randy Hoskins continued his presentation by talking about wastewater system needs relative to street design (i.e., resetting manholes, service interruptions), stormwater culverts, and retaining walls. Duane Hartman asked whether the costs shown for retaining walls might decrease with the greater use of 120 ft. ROW – this may allow for more "smoothing" of the topography and thus minimize the need for retaining structures. Allan Abbott said that it is possible that the 120 ft. ROW standard may assist in addressing this issue but that they need additional experience in order to know for certain – it could vary by area.

Randy Hoskins then reviewed other potential costs not included in the primary summary. These included trail grade separations, bridges, underground LES lines, ROW acquisition, and wetlands. These potential additional costs could increase a project's cost by as much as $2.45 million per mile. Carol Brown asked about the length of the North 14th Street bridge. Mr. Hoskins said that when I-80 is reconstructed, he though that it would be retained as a 120 ft. wide structure but that its length may actually be shortened as a result of the State widening the Interstate to the "inside" and using other construction techniques to shorted the span requirements. Mr. Hoskins next provided the Work Group with a handout showing "Total Miles of Facilities" for 2001. Total lane miles in the city that year were estimated at 2,678 miles. This was up considerably from the 1990 total of 1,883.

Rick Krueger asked what level of service standard was being used for these cost estimates – how different are the assumed volumes for a 3, 4 or 5 lane cross section. Mr. Hoskins stated that a 2+1 cross section will generally carry up to 12,000 vehicles per day, and that volumes over that should be considered for a '4 plus turn lanes' design.

Patte Newman asked how significant lane width is – especially the 12 ft. vs. 13 ft. lane width design; would a cross section with 11 ft. lanes provide a reasonable level of service at a lower cost? Randy Hoskins noted that while a small amount of money might be saved because of the

narrower lane width, the drivers's "resistance factor" would lessen the facilities ability to carry traffic. Allan Abbott also noted that you don't just save 1/12th of the cost of the facility; you might save a little in material costs but that the grading and labor costs would probably not be reduced.

Randy Hoskins summarized by stating that the typical 3-lane suburban cross section will run around $2.69 million, while the typical 5 lane suburban cross section costs around $3.57 million. An additional $1.1 million in construction costs could be incurred to convert a 3-lane to a 5-lane cross section in the future. Duane Hartman noted that certainly there are cost savings if the roadway does not have to be redone. Allan Abbott also indicated that the added cost of having to convert a 3-lane to a 5-lane facility in the future also drains funds away from other future projects.

Roger Reynolds asked if these cross sections were being used today. PW&U staff indicated that they were beginning to employ them but many of the projects recently competed were done in less than 120 ft. of ROW so they may not look exactly like the cross sections shown in the handout. Jon Carlson asked if future widenings might go into the median space. Randy Hoskins noted that this approach would save future ROW costs – which can be a considered expense in built-up areas. Allan Abbott also indicated that by "widening in", the disruption of underground utilities could be minimized.

Melinda Pearson asked about the projected 6 year CIP costs and did these include major arterials along every section line – i.e., each mile – and did we really need them at this spacing standard. Allan Abbott noted that the Comp Plan shows arterials on most every section line because of projected traffic levels and because of the desire to accommodate future traffic needs beyond the development assumed over the next 25 years.

Rick Krueger noted that the City is showing a decline in revenues over the life of the 6 year CIP and wanted to know why this assumption is being used since the city is growing. Roger Figard noted that the City is actually assuming an increase in revenues over the life span of the CIP, but that the apparent "decline" in revenues is the result of reappropriated dollars in the first few years of the CIP. He noted that they worked on these projections with Steve Hubka, City Budget Officer, and did this to show the further drawn down of cash reserves.

Steve Masters (City Public Utilities) then introduced the department's presentation on the water and wastewater services. Margaret Remmenga presented figures on the City's water systems annual costs and expenditures. Water revenues are around $29.75 million per year. The $24 million user fee revenues shown include $21.5 million in revenue with an assumed 7 percent increase. Utility revenue bonds provide an additional $4.1 million each year, along with a low interest loan of $530,000 from the State of Nebraska and developer contributions totally about $1.0 million. Of the available revenues, about $10 million go directly toward capital improvements. Production accounts for $5.8 million in expense, transmission and distribution about $5.1 million in expense, and the "Business Office" incurs $8.8 million in expense, with $5.6 million of this amount debt payment on outstanding revenue bonds. On the wastewater

side, User Fees account for $21.4 million of the system's annual revenue of $24.6 million. Utility bonds and State loans account for $3.0 million, and developer contributions provide $140,000 annually. Capital improvements use $13.1 million of this amount, treatment $3.8 million, collection $1.7 million, sanitary engineering $1.4 million, and the "Business Office" $4.5 million, with $1.3 million of this amount paying off debt service.

Steve Masters then reviewed the projected "funding gap" for the water and wastewater systems. Once "Operation and Maintenance" (O&M) costs and debt service is paid for, available revenues stand at about $17.6 million. The need to retain $2.0 million to cover bond covenants and the $11.3 million for 6 years of rehabilitation, leaves a projected balance of about $4.3 million. The assumed 6 year CIP projects total about $46.7 million – resulting in a near term funding gap of $42.4 million for the water system. For wastewater, the six year revenue projection is $134.1 million. Accounting for 6 years of O&M expense and debt service leaves $48.7 million. Cash retained to cover bond covenants and the 6 year rehabilitation program leaves $22.3 million "available for growth." When the 6 year CIP projects are considered, the "funding gap" for wastewater stands at $19.4 million.

Mr. Masters then showed a map displaying the geographic service area that would be covered by this program. It only extends wastewater service to a few fringe areas of the City and does not begin to address the service needs of most of the projected new growth areas. Mr. Masters concluded this portion of the presentation with a graph showing the miles of water mains added to the system each year since 1989. The system has grown from less than 900 miles of mains in 1989 to over 1,050 in the year 2000. Mr. Masters indicated that during this same period, the number of staff supporting the two systems has deceased, aided by increased efficiencies in the operation. It was decided that Mr. Masters would conclude his presentation at this time and complete his remarks at the next meeting of the Work Group.

Russ Bayer indicated that he estimated from the meeting's presentations that there are a projected $700 million in costs for various infrastructure improvements. The task of the Work Group should be to try to find ways to "cut these costs" through phasing and other means. The important thing is to find a way to "measure success" in determining cost savings and efficiency. He would like to see them find at least a ten percent savings over the next 6 years. Mr. Bayer also expressed uncertainty about whether the revenue side of the ledger was within the bounds of this Work Group; perhaps that was better addressed by the Finance Work Group.

Allan Abbott noted that he would like to see the Work Group find cost savings that don't rely upon just making things "cheaper" but that are real efficiencies. Mr. Bayer indicated that he'd heard a number of possible cost savings suggestions at the meeting today including narrower driving lanes, reimbursement of lighting costs, and consideration of how retaining walls are used in cost estimates. Members of the Work Group were asked to get their suggestions to staff so that a list could be started of cost savings and efficiencies ideas.

5. Other Business

There were no "Other Business" items raised by the Work Group.

6. Future Meeting Dates and Agenda Topics

Russ Bayer then asked the Work Group to consider how frequently they would like to meet and which days worked best for the entire Group. After some discussion it was decided that Tuesday's was the most promising day to meet, and that a late afternoon (i.e., 4:00 p.m.) start time was preferred. It was agreed that the next meeting of the Work Group would be Tuesday, November 12, 2002, beginning at 4:00 p.m. Russ Bayer and staff will work on setting future meeting dates and then make those know to the Work Group members.

7. Adjournment

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